



AM Best Revises Outlooks to Positive for National Takaful Company (Watania) PJSC

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LONDON--(BUSINESS WIRE)--**AM Best** has revised the outlooks to positive from stable and affirmed the Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of “bb+” of National Takaful Company (Watania) PJSC (Watania) (United Arab Emirates).

The Credit Ratings (ratings) reflect Watania’s balance sheet strength, which AM Best categorises as strong, as well as its marginal operating performance, limited business profile and marginal enterprise risk management (ERM). The revised outlooks reflect Watania’s sustained improvement in operating performance, as the new management team successfully executes its business plan.

Since inception in 2011, Watania has had a track record of weak earnings, largely stemming from poor technical performance, with accumulated losses eroding shareholders’ equity. However, following a change in senior management in 2016, Watania has embarked on strategic initiatives to stabilise its operations, adopting stricter underwriting controls and tighter claims management. Furthermore, although Watania operates independently, it benefits from cost efficiencies achieved through synergies with its sister company, Al Madina Insurance Company SAOG. Over the past three years (2016-2018), the company’s combined ratio has trended down, reaching 87.6% in 2018. Consequently, overall earnings also have improved considerably, reaching AED 12.3 million in 2018, thereby demonstrating the successful execution of its business plan. Additionally, the company’s conservative investment portfolio continues to contribute positively to the overall profitability, producing an investment yield of 3.4% in 2018.

AM Best assesses Watania’s balance sheet strength as strong, underpinned by risk-adjusted capitalisation, as calculated by Best’s Capital Adequacy Ratio (BCAR), at the strongest level. Watania has strengthened its shareholders’ equity, mainly through internal capital generation, and is in compliance with all regulatory solvency thresholds. The company’s balance sheet benefits from a well-rated reinsurance panel, the absence of leverage, and highly liquid investment portfolio. Offsetting factors include the company’s small balance sheet, material exposure to higher risk asset classes and limited financial flexibility.

The company has a limited business profile in its domestic market, writing approximately AED 300 million in gross written contributions in 2018. The company operates solely in the UAE and consistent with other market participants, writes predominantly motor and medical insurance. Reduction of business volumes from poor performing accounts have been replenished through price increases and new business generated through a wider distribution network. AM Best expects Watania to continue to grow in line with its business plan, although market conditions remain challenging given the high level of competition.

AM Best assesses Watania’s ERM as marginal given that the current lack of formalisation in its risk management framework, and accompanying controls and procedures. AM Best expects that as the company continues with its strategic transformation, management will make meaningful enhancements to the company’s ERM framework.

5/9/2019 AM Best deviates from AM Best's Public Capital and Holding Company Analysis Method (Watania) as a result of Watania, as no financial information is available for its ultimate parent company, MB Holding Company LLC (Oman). Mitigating rating factors are Watania's independence from the group with limited inter-company transaction and no evidence of financial strain imposed by the parent. Furthermore, Watania is listed on the Abu Dhabi stock exchange and must comply with requirements set by the UAE Insurance Authority and UAE Company Law. MB Holdings LLC (UAE), a shell and sister company of MB Holding Company LLC, owns 51% of Watania.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Understanding Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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